



**Policy on Appointment of Statutory
Central Auditors (SCA)
And Statutory Branch Auditors (SBA)**

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1. INTRODUCTION:

The Board of Directors (the “Board”) of CSB Bank Limited (the “Bank or Company”) have adopted the following policy and procedures with regard to Appointment of Statutory Central Auditors and Statutory Branch Auditors (‘Policy on Appointment of Statutory Central Auditors and Statutory Branch Auditors’), in line with the requirements of extant norms of Reserve Bank of India, Section 30(1A) of Banking Regulation Act, 1949 and as per Section 139, 141 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The Board and Audit Committee will review and may amend this policy from time to time.

2. PURPOSE:

The objective of this policy is twofold; to establish proper procedure for appointment of Statutory Central auditors and Statutory Branch Auditors, and to conform with the extant norms of Reserve Bank of India, and applicable provisions of Banking Regulation Act, 1949; and Companies Act, 2013.

3. DEFINITIONS:

- a) **“Audit Committee”** means the Audit Committee of the Board.
- b) **‘Audit Committee of Executives/Committee of senior officials’ means Committee of Executives formed at the Executive level.**
- c) **“Board”** means Board of Directors of the Bank.
- d) **“RFP (Request for Proposal) document”** means documents floated to invite expression of interest for the position of the Statutory Central Auditors of the Bank.
- e) **“Statutory Branch Auditors (SCA)”** means auditors appointed as per the policy with the approval of Reserve Bank of India and Shareholders of the Bank to take up the Audit of Branch/s of the Bank.
- f) **“Statutory Central Auditors (SBA)”** means auditors appointed as per the policy with the approval of Reserve Bank of India and Shareholders of the Bank to take up the Audit of the Central Office and Branch Offices of the Bank.

4. I. STATUTORY CENTRAL AUDITORS (SCA):**A. Eligibility Norms as advised by RBI vide Circulars DBS. No. ARS. BC.8/08.91.001 /2000-2001 and DBS.ARS.BC.04/08.91.001 /2017-18.**

- i Minimum 5 full time Chartered Accountants, of which atleast 3 should be full time partners exclusively associated with the firm for a period of atleast three (3) years, Out of the total full time partners of the firm one (1) should be full time FCA.

- ii The number of professional staff (excluding typists, stenographers, computer operators, secretary/ies and sub-ordinate staff etc.), consisting of audit and articled clerks with the knowledge in book-keeping and accountancy and are engaged in outdoor audit should be 15.
- iii The standing of the firm should be atleast 10 years which would be reckoned from the date of availability of one full time FCA continuously with the firm.
- iv The firm should have minimum statutory central audit experience of 8 years of private sector banks or statutory central /branch audit experience of public sector banks, while calculating the experience of any audit firm, experience of a partner as a director on the Board of any public sector bank would also be considered as an audit experience. For reckoning this experience, the partner should be on the board of any public sector bank continuously for a period of atleast three years and such experience for a maximum period of three years will only be considered.
- v One audit firm will be permitted to take up the statutory audit of four private sector/foreign banks during a particular financial year.
- vi In the case of a group of audit firms having common partners, only one firm will be considered for allotment of statutory audit. Accordingly a group of firms having common partners will be considered as one entity.
- vii An Audit firm, subject to its fulfilling the prescribed eligibility norms will be allowed to continue as the Statutory Central Auditor (SCA) for a particular bank for a period of four years and thereafter the said firm will be compulsorily rested for a period of six years.
- viii Concurrent auditors of the Bank will not be considered for appointment either as Statutory Central Auditors or Branch Auditors of the same Bank.

B. GENERAL ELIGIBILITY NORMS FOR AUDITORS:

- a A person shall be eligible for appointment as auditor of the Bank only if he is a Chartered Accountant, also a firm whereof majority of partners practicing in India are qualified as aforesaid may be appointed by its firm name to be an auditor of the Bank.
- b Where a firm including a limited liability partnership is appointed as an auditor of the Bank, only the partners who are chartered accountants shall be authorised to act and sign on behalf of the firm.
- c The following persons shall not be eligible for appointment as an auditor of the Bank, namely:—
 - i a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008 (6 of 2009);
 - ii an officer or employee of the Bank;
 - iii a person who is a partner, or who is in the employment, of an officer or employee of the Bank;
 - iv a person who, or his relative or partner—
 - (a). is holding any security of or interest in the Bank or its subsidiary, or of its holding or associate company or a subsidiary of such holding company: Provided that the relative may hold security or interest in

the company of face value not exceeding one thousand rupees or such sum as may be prescribed;

- (b). is indebted to the Bank, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or
 - (c). has given a guarantee or provided any security in connection with the indebtedness of any third person to the Bank, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;
- v a person or a firm who, whether directly or indirectly, has business relationship with the Bank, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;
 - vi a person whose relative is a director or is in the employment of the Bank as a director or key managerial personnel;
 - vii a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;
 - viii a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;
 - ix any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialised services as provided in section 144.
- d Where a person appointed as an auditor of the Bank incurs any of the disqualifications mentioned above after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.
 - e The Auditors / Audit Firms should not be a wilful defaulter of other Banks / Financial institutions.
 - f The Auditors / Audit Firms should not carry out any assignment of the Internal Audit of the Bank.
 - g The Auditors / Audit Firms should not enter into sub-contract of the Audit assigned to them.
 - h The eligible Auditors / Audit Firms should be qualified under provisions of Section 141 of the Companies Act, 2013 for appointment as Auditors of the Bank. No adverse remarks / disciplinary proceedings pending / initiated against the firms / any of its Partners on the record of Institute of Chartered Accountants of India.

C. PROCEDURE FOR APPOINTMENT:

- I. The appointment of Statutory Central Auditors will be made on an annual basis, subject to their fulfilling the eligibility norms prescribed by RBI and applicable provisions of Companies Act, 2013, and also subject to their suitability.
- II. As per the screening of applications received, the shortlisted proposed names of SCAs will be recommended to Audit Committee of Board (ACB) and Board of the Bank for Approval.
- III. Once the approval is given by the Board, the Bank will furnish the applications with necessary enclosures with the Reserve Bank of India for approval and to the

effect that the audit firm proposed to be appointed as SCAs comply with all the prescribed eligibility norms.

- IV. The appointment of the Audit firm will be subject to the approval of Shareholders at the Annual General Meeting.

D. OTHER MATTERS

- I. The consent letter/certificate should be signed by the main partner/s of the audit firm proposed for appointment of SCAs of the bank under the seal of the said audit firm. Once the consent is given by the audit firm the same will be treated as irrevocable.
- II. In case the RBI is not approving any of the name/s recommended by the Bank, suitable audit firm from the standby list to be selected and recommended to Reserve Bank of India for Approvals.
- III. Top Branches shall be Audited by the Statutory Central Auditors (to be decided and allocated after discussion with the Audit firm/s), Also all the Statutory Branch Auditors comes under the purview of the SCAs.
- IV. Though the tenure of the audit firm will be for 4 years, the appointment will be made on annual basis with the approval of the Board, Reserve Bank of India and Shareholders of the Bank.
- V. The matters related to fees / Remuneration etc. payable to the SCAs will be decided by the Board with the approval of the shareholders of the Bank.
- VI. An Audit firm which takes up Statutory Central Audit assignment in a Public Sector Bank will not be eligible to be appointed as a Statutory Central Auditor in private sector/ foreign bank during that particular year and vice versa.
- VII. A cooling off period of six years has to be followed for taking up of two successive assignments of four years each.

E. PROCESS FOR APPOINTMENT OF STATUTORY CENTRAL AUDITORS:

(1) Preparation, review and Floating of RFP (Request for Proposal)

Audit Committee of the Board (ACB) shall oversee the appoint process of the Statutory Central Auditors. The Audit Committee of Executives/Committee of senior officials shall be vested with the responsibility of preparing and floating RFP, and receiving the proposals from auditors, analysing and placing recommendatory note to the Audit Committee of the Board for approval. Only when the RFP parameters have to be tweaked and in variation from the Board approved policy, then the same shall be incorporated after obtaining ACB approval.

Selection

- i Proposals received from the auditors, complete in all respects and within the prescribed time as per the RFP floated in this connection, will be scrutinized on the basis of the basic eligibility criteria as given above in Clause 4.I by the Audit Committee of

Executives/Committee of senior officials and the Company Secretary is a special invitee to the said process.

- ii The Audit Committee of Executives/Committee of senior officials shall evaluate the application received on the basis of edibility criteria as mentioned in the RFP, in terms of expertise, experience, qualifications, reputation, availability of qualified CAs, sufficient trained personnel with the firm and such other factors as the Bank may deem fit for its requirements,
- iii The prima facie scrutiny of the proposals shall be done by Audit Committee of Executives//Committee of senior officials and the Committee shall submit all applications received and its comments/views to the Audit Committee of the Board along with the basis of comments/views
- iv Audit Committee of the Board alone is empowered to reject those proposals which do not meet the eligibility criteria.
- v The final selection of the Auditfirms will be approved by the Board on the recommendation of Audit Committee of the Board.
- vi The Bank also reserves the right to make query with the firm or any other agency, ask for additional information, particulars, and submission of one or more undertakings from any firm, at any point of time. None of such act shall be deemed as an offer of engagement as Central Auditor by the Bank to the firm unless and until the Bank intimates in writing to the firm regarding appointment as Central Auditors of the Bank.

4. II. STATUTORY BRANCH AUDITORS (SBAs):

A. GENERAL ELIGIBILITY NORMS FOR AUDITORS:

- a A person shall be eligible for appointment as auditor of the Bank only if he is a Chartered Accountant, also a firm whereof majority of partners practising in India are qualified as aforesaid may be appointed by its firm name to be an auditor of a company
- b Where a firm including a limited liability partnership is appointed as an auditor of the Bank, only the partners who are chartered accountants shall be authorised to act and sign on behalf of the firm.
- c The following persons shall not be eligible for appointment as an auditor of the Bank, namely:—
 - i a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008 (6 of 2009);
 - ii an officer or employee of the Bank;
 - iii a person who is a partner, or who is in the employment, of an officer or employee of the Bank;
 - iv a person who, or his relative or partner—

- (a). is holding any security of or interest in the Bank or its subsidiary, or of its holding or associate company or a subsidiary of such holding company: Provided that the relative may hold security or interest in the company of face value not exceeding one thousand rupees or such sum as may be prescribed;
 - (b). is indebted to the Bank, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or
 - (c). has given a guarantee or provided any security in connection with the indebtedness of any third person to the Bank, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;
- v a person or a firm who, whether directly or indirectly, has business relationship with the Bank, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;
 - vi a person whose relative is a director or is in the employment of the Bank as a director or key managerial personnel;
 - vii a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;
 - viii a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;
 - ix Any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialised services as provided in section 144.
- d Where a person appointed as an auditor of the Bank incurs any of the disqualifications mentioned above after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.
 - e The Auditors / Audit Firms should not be a wilful defaulter of other Banks / Financial institutions.
 - f The Auditors / Audit Firms should not carry out any assignment of the Internal Audit of the Bank.
 - g The Auditors / Audit Firms should not enter into sub-contract of the Audit assigned to them.

B. PROCEDURE OF APPOINTMENT:

- i The appointment of Statutory Branch Auditors will be made on an annual basis, subject to their fulfilling the eligibility norms prescribed and also subject to their suitability.
- ii Statutory Branch Audit shall be carried out for all branches of the Bank, the allotment of Branch/es will be decided and intimated by the Bank to the concerned auditors.

- iii The list of firms selected for appointment as Statutory Branch Auditors shall be placed before the Audit Committee of the Board, Board of the Bank for its approval before the same is forwarded to RBI for final approval.
- iv After obtaining the concurrence of the Board, the list containing audit firms who have given consent shall be sent to Reserve Bank of India for their Approval.
- v Appointment letters shall be issued to the auditors after getting approval of Reserve Bank of India.
- vi The matters related to fees / Remuneration etc. payable to the SBAs will be decided by the Board with the approval of shareholders of the Bank.

5. REVIEW OF THE POLICY:

1. The Audit Committee of the Board and Board of the Bank may review the policy annually or as and when it deems necessary.
2. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.
